

ORIGINAL

OPEN MEETING



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MEMORANDUM
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TO: THE COMMISSION

2013 SEP 26 A 11:03

Arizona Corporation Commission

DOCKETED

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

SEP 26 2013

DATE: September 30, 2013



RE: TRICO ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF ITS 2014 RENEWABLE ENERGY STANDARD TARIFF IMPLEMENTATION PLAN (DOCKET NO. E-01461A-13-0231)

Background

On July 1, 2013, Trico Electric Cooperative, Inc. ("Trico") filed its 2014 Renewable Energy Standard Tariff ("REST") Implementation Plan ("2014 REST Plan") in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1801 through R14-2-1816. Trico's current REST Plan (2013) was approved by the Commission in Decision No. 73634, on January 31, 2013.

The 2014 REST Plan

The SunWatts Green Energy Purchase Program

According to Trico, it will continue to offer this voluntary program in which retail customers can choose to support renewable energy by purchasing blocks of "green energy." The retail customers can purchase 50 kilowatt-hour ("kWh") blocks of green energy at a cost of \$2.00 per block.

The SunWatts Residential and Commercial Rebate Program

The SunWatts rebate program would continue to provide incentives to customers for installation of qualifying renewable systems. In its application, Trico is proposing to pay an Up-Front Incentive ("UFI") of \$0.10 per watt, up to 30 percent of the total system cost, for photovoltaic ("PV") systems up to 10 kW in size. For PV systems up to 10 kW in size, Trico will own all the Renewable Energy Credits ("RECs") from a system's actual or estimated kWh generation over a 20-year period.

For solar water heating systems, Trico would continue to provide a UFI of \$0.40 per kWh of energy saved during the system's first year of operation, based on the OG-300 ratings of the Solar Rating and Certification Corporation. After accounting for and applying all federal and state incentives, the customer contribution to the solar water heating project cost would not be less than 15 percent of the total project cost. Incentives paid for solar water heaters would be distributed on a first-come, first-served basis.

Systems would need to be installed by licensed renewable energy contractors, electricians, or plumbers (in the case of solar water heaters). Trico may permit self-installations only if the installation has been inspected and verified by a licensed contractor.

For its 2014 REST Plan, Trico has not included other renewable energy technology due to the lack of participation for these renewable resources. However, Trico states that should there be a customer requesting to install any eligible renewable technology not listed in the table below, Trico would evaluate the possibility of providing an appropriate rebate on a case-by-case basis and based on REST budget availability.

Staff believes it is reasonable and administratively efficient to eliminate these incentives and treat any possible future applications related to these technologies on a case-by-case basis. However, Staff is concerned about leaving it open-ended regarding what incentive level Trico could choose to offer in such a case. Staff believes that any incentive offered under this scenario should be limited to the equivalent incentive level offered for solar electric installations at the time. This would set a reasonable limit for incentives for other technologies. Further, such installations would be subject to the availability of funds under the applicable residential or commercial UFI budget line item in a given year.

The table below illustrates the current incentive levels provided for PV and solar water heating and those proposed in Trico's 2014 REST Plan.

Technology	UFI	PBI
Solar Electric*	\$0.10/watt for systems up to 10 kW (up to 30% of system cost)	For systems greater than 10 kW *Subject to competitive bid
Solar Water Heating*	\$0.40 per kWh for first year savings	N/A

*Trico has proposed no changes from its 2013 REST Plan.

Under Trico's 2013 REST Plan, for PV systems 10 kW and under, Trico began installing its own meter that measures the output of the PV generation on all new and existing PV systems. For 2014, Trico proposes to continue this program as currently offered under the 2013 REST Plan, whereby Trico allocates a portion of the budget to installing Trico PV generation meters on all existing and new residential and commercial PV systems. The cost for the program contains the capital cost of each meter, plus the labor to install (approximately \$300 per meter). Additionally, the program includes the cost of the cell phone service to electronically read the meters, approximately \$0.55 per meter each month.

The SunWatts Large-Scale Generation Program (over 10 kW)

Trico would provide a Production Based Incentive ("PBI") for systems that exceed 10 kW in size, subject to a competitive selection process. If a project is not selected, it can be resubmitted at a subsequent time. Trico would continue to allow systems that exceed 10 kW in size to participate in the UFI program with the customer's incentive level being capped at the maximum amount corresponding to the UFI incentive level for a 10 kW system.

SunWatts Educational Grant Program

Trico proposes to continue its Educational Grant Program for 2014. The Educational Grant Program supports renewable energy education in the classroom by offering teachers education grants for the development of renewable curricula for the classroom.

SunWatts Habitat for Humanity Program

Trico proposes to continue its partnership with Habitat for Humanity to offer renewable energy options to low-income housing in its service area. Trico would provide grants to the Habitat organization to purchase PV and other renewable energy equipment to be installed on Habitat homes. In addition, Trico would assist in finding local renewable energy equipment dealers who would be willing to donate products and services.

PV for Schools Program

Trico proposes to continue its PV for Schools Program for 2014. In 2013, Trico modified its PV for Schools Program to a competitive application process whereby the successful school(s) would receive renewable energy through a purchased power agreement that Trico negotiates directly with the solar firm. Trico has identified potential schools and PV installers for participation in this program in 2013, but does not anticipate that such systems will go online until late 2013 or early 2014.

Community Solar Project ("SunWatts Sun Farm")

Trico's SunWatts Sun Farm became operational in June 2011. Trico's SunWatts Sun Farm consists of 840 ground mounted fixed tilt panels that total to 227 kW. The program provides that a Trico member can purchase panels in one-quarter, one-half or in whole panel increments up to but not to exceed their average monthly kWh energy usage in the last twelve-month period up to a maximum of 10,000 watts per customer. Customers who purchase a part or several panels will receive a credit on their bill equal to energy generated by their panel(s) in accordance with the SunWatts Sun Farm Tariff approved under Decision No. 72086. Trico did not use any REST surcharge funds for the construction of the SunWatts Sun Farm.

Tariffs and Budget

Based on the programs and projects currently in place, as well as the assumptions included in this 2014 REST Plan, Trico anticipates that its programs will provide 24,729,501 kWh of distributed and 442,349 kWh of non-distributed generation, totaling 25,171,850 kWh of renewable generation by the end of 2014.

Over the last several years, Trico has eliminated its once significant rebate backlog and also reduced its rebate incentives for new PV systems installed in its service territory. This combination results in less budget dollars needed to fund Trico's 2014 REST programs. Trico's 2014 REST Plan includes a decrease to the existing REST surcharge energy rate and monthly dollar caps to reduce the total budget revenue for 2014 to \$994,908 (a reduction of approximately \$0.5 million). Trico currently has a REST surcharge bank balance that is over-collected by \$1,173,385. A comparison of the 2013 surcharge to the proposed 2014 surcharge is

THE COMMISSION

September 30, 2013

Page 4

included in the table below. Trico also provided Staff with a second option that will return the over-collection over a two-year period. Staff recommends that Trico's surcharge be lowered to the rates listed under Option B.

Customer Type	2013 Rate (\$/kWh)	2014 Rate (\$/kWh) Option A	2014 Rate (\$/kWh) Option B	2013 Cap	2014 Cap Option A	2014 Cap Option B
Residential	\$0.005550	\$0.003820	\$0.001360	\$3.00	\$2.00	\$0.70
Non-Residential (less than 3,000 kW)	\$0.005550	\$0.003820	\$0.001360	\$130.00	\$100.00	\$34.00
Non-Residential (equal to or greater than 3,000 kW)	\$0.005550	\$0.003820	\$0.001360	\$3,500.00	\$2,000.00	\$650.00
Governmental and Agricultural	\$0.000971	\$0.000700	\$0.000250	\$43.00	\$30.00	\$10.50

In its application, Trico estimates the 2014 REST budget to be \$994,908. Staff is proposing to eliminate the UFI's for both residential and commercial and lower the budget to \$883,858. The table below provides a breakdown of Trico's proposed 2014 REST budget.

Category	Company Proposed Budget	Staff Proposed Budget
Residential PV UFI Rebates	\$109,050	\$0
Residential SWH Rebates	\$28,908	\$28,908
Non-Res PV UFI Rebates	\$2,000	\$0
Large-Scale PV PBI Rebates	\$507,608	\$507,608
Educational Grant Program	\$2,500	\$2,500
Habitat for Humanity Program	\$5,000	\$5,000
PV for Schools Program	\$81,000	\$81,000
Generation Meter Program	\$46,910	\$46,910
Admin and Advertising	\$211,932	\$211,932
Total	\$994,908	\$883,858

The table below shows the amount Trico anticipates collecting from each customer class in 2014.


Customer Class	Anticipated 2014 Funds Collected (Option A)	Anticipated 2014 Funds Collected (Option B)
Residential	\$791,341.47	\$278,164.84
Non-Residential	\$173,835.55	\$61,111.84
Non-Residential \geq 3MW	\$0.00	\$0.00
Governmental and Agricultural	\$30,582.72	\$10,787.11
Total	\$995,759.74	\$350,063.79

Staff Recommendations

At the time Trico filed its application for approval of the 2014 REST Plan, its UFI level was \$0.10 per watt, up to 30 percent of the total system cost. The 2014 REST Plan proposed a UFI level of \$0.10 per watt, up to 30 percent of the total system cost. Pursuant to Decision No. 73087, Trico's UFI level has decreased in conjunction with the UFI level of Tucson Electric Power Company ("TEP"). This was done in an effort to eliminate the disparate incentive levels between the two companies because the service territory boundaries are adjacent to one another.

Staff recommends the following:

1. Approval of the Trico 2014 REST Plan as discussed herein;
2. Approval of Option B surcharges and caps;
3. Trico eliminate UFI's for both residential and commercial customers (as Staff has recommended for TEP);
4. Trico's Voluntary Renewable Energy Standard Program Tariff, Renewable Energy Customer Self-Directed Tariff, and SunWatts Sun Farm Tariff, currently on file with the Commission, remain in effect until further Order of the Commission; and
5. Trico file an updated Renewable Energy Standard Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:PML:sms\CHH

ORIGINATOR: Patrick M Lowe

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION
OF TRICO ELECTRIC COOPERATIVE,
INC. FOR APPROVAL OF ITS 2014
RENEWABLE ENERGY STANDARD
TARIFF IMPLEMENTATION PLAN

DOCKET NO. E-01461A-13-0231
DECISION NO. _____
ORDER

Open Meeting
October 16th and 17th, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico" or "Company") is certificated to provide electric service as a public service corporation in the state of Arizona.

Background

2. On July 1, 2013, Trico filed its 2014 Renewable Energy Standard Tariff ("REST") Implementation Plan ("2014 REST Plan") in compliance with Arizona Administrative Code ("A.A.C.") R14-2-1801 through R14-2-1816. Trico's current REST Plan (2013) was approved by the Commission in Decision No. 73634, on January 31, 2013.

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1 **The 2014 REST Plan**

2 **The SunWatts Green Energy Purchase Program**

3 3. According to Trico, it will continue to offer this voluntary program in which retail
4 customers can choose to support renewable energy by purchasing blocks of "green energy." The
5 retail customers can purchase 50 kilowatt-hour ("kWh") blocks of green energy at a cost of \$2.00
6 per block.

7 **The SunWatts Residential and Commercial Rebate Program**

8 4. The SunWatts rebate program would continue to provide incentives to customers for
9 installation of qualifying renewable systems. In its application, Trico is proposing to pay an Up-
10 Front Incentive ("UFI") of \$0.10 per watt, up to 30 percent of the total system cost, for
11 photovoltaic ("PV") systems up to 10 kW in size. For PV systems up to 10 kW in size, Trico will
12 own all the Renewable Energy Credits ("RECs") from a system's actual or estimated kWh
13 generation over a 20-year period.

14 5. For solar water heating systems, Trico would continue to provide a UFI of \$0.40 per
15 kWh of energy saved during the system's first year of operation, based on the OG-300 ratings of
16 the Solar Rating and Certification Corporation. After accounting for and applying all federal and
17 state incentives, the customer contribution to the solar water heating project cost would not be less
18 than 15 percent of the total project cost. Incentives paid for solar water heaters would be
19 distributed on a first-come, first-served basis.

20 6. Systems would need to be installed by licensed renewable energy contractors,
21 electricians, or plumbers (in the case of solar water heaters). Trico may permit self-installations
22 only if the installation has been inspected and verified by a licensed contractor.

23 7. For its 2014 REST Plan, Trico has not included other renewable energy technology
24 due to the lack of participation for these renewable resources. However, Trico states that should
25 there be a customer requesting to install any eligible renewable technology not listed in the table
26 below, Trico would evaluate the possibility of providing an appropriate rebate on a case-by-case
27 basis and based on REST budget availability.

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Staff Recommendations

18. At the time Trico filed its application for approval of the 2014 REST Plan, its UFI level was \$0.10 per watt, up to 30 percent of the total system cost. The 2014 REST Plan proposed a UFI level of \$0.10 per watt, up to 30 percent of the total system cost. Pursuant to Decision No. 73087, Trico's UFI level has decreased in conjunction with the UFI level of Tucson Electric Power Company ("TEP"). This was done in an effort to eliminate the disparate incentive levels between the two companies because the service territory boundaries are adjacent to one another.

19. Staff recommends the following:

1. Approval of the Trico 2014 REST Plan as discussed herein;
2. Approval of Option B surcharges and caps;
3. Trico eliminate UFI's for both residential and commercial customers;

5. Trico file an updated Renewable Energy Standard Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.

1. Trico Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Trico Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's memorandum dated September 30, 2013, concludes that it is in the public interest to approve the 2013 Energy Efficiency Plan as modified and discussed herein.

IT IS THEREFORE ORDERED that Trico Electric Cooperative's 2014 REST Plan be approved as discussed herein.

IT IS FURTHER ORDERED that Trico Electric Cooperative's Option B surcharges and caps be approved as discussed herein.

IT IS FURTHER ORDERED that Trico Electric Cooperative eliminate UFI's for both residential and commercial customers.

IT IS FURTHER ORDERED that Trico Electric Cooperative's Voluntary Renewable Energy Standard Program Tariff, Renewable Energy Customer Self-Directed Tariff, and SunWatts Sun Farm Tariff currently on file with the Commission, remain in effect until further Order of the Commission.

IT IS FURTHER ORDERED that Trico Electric Cooperative file an updated Renewable Energy Standard Tariff in compliance with the Decision in this case within 15 days of the effective date of the Decision.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:PML:sms\CHH

1 SERVICE LIST FOR: UNS Electric, Inc.
2 DOCKET NO. E-4204A-12-0219

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9 Director, Utilities Division
10 Arizona Corporation Commission
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